

Message Text

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ACTION ARA-10

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PA-02 AID-05 CIEP-02 SS-15 STR-04 TAR-01 TRSE-00

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FM AMEMBASSY PORT AU PRINCE

TO SECSTATE WASHDC IMMEDIATE 540

INFO AMEMBASSY GEORGETOWN

AMEMBASSY KINGSTON

AMEMBASSY SANTODOMINGO

UNCLAS PORT AU PRINCE 2181

EO 11652 N/A

TAGS: EMIN, EINV, HA

SUBJECT: GOH AND REYNOLDS AGREE ON BAUXITE TAXES FOR 75/76

1. PRESIDENT DUVALIER, IN A SPECIAL TV APPEARANCE ON AUGUST 28, ANNOUNCED THAT, UNDER HIS PERSONAL SUPERVISION, FINAL AGREEMENT HAD BEEN REACHED WITH REYNOLDS COVERING BAUXITE OPERATIONS AND TAXES FOR THE YEARS 1974 THROUGH 1976. THE OFFICIAL ANNOUNCEMENT SPELLS OUT THE FOLLOWING AGREEMENT:

A) THE YEAR 1974, BASIC FIGURES USED ARE EXPORTS OF 626,367 DRY LONG TONS, AN AVERAGE PRICE OF US \$0.335 PER POUND OF PRIMARY ALUMINUM INGOT, AND A "REMOVAL" TAX OF 7.5 PERCENT. FROM THIS TOTAL WILL BE DEDUCTED (1) ALL INCOME AND OTHER TAXES EXCEPT THE \$0.50 PER LONG TON OF DRY BAUXITE EXPORTED AND (2) THE SUM OF \$0.70 PER LONG DRY TON EXPORTED WHICH REPRESENTS THE DIFFERENCE IN COST OF PRODUCTION OF HAITIAN BAUXITE AND JAMAICAN BAUXITE.

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B) FOR THE YEARS 1975 AND 1976, GOH WILL CONTINUE TO COLLECT

\$0.50 PER TON "PROPORTIONAL" TAX; THE "REMOVAL" TAX RATE WILL BE INCREASED FROM 7.5 TO 8 PERCENT; AND THE CONVERSION FACTOR WILL BE CHANGED FROM 4.32 TO 5.00. IN RETURN FOR THE INCREASE IN THE CONVERSION FACTOR, REYNOLDS WILL PAY THE GOH A SPECIAL COMPENSATION TAX OF \$2 MILLION FOR THE YEAR 1975 AND \$1.5 MILLION FOR THE YEAR 1976.

C) THE LOCAL REYNOLDS REPRESENTATIVES, TOGETHER WITH REPRESENTATIVES OF THE HAITIAN DEPARTMENTS OF AGRICULTURE, PUBLIC HEALTH, EDUCATION, AND SOCIAL AFFAIRS, WILL DEVELOP AND PLACE INTO EFFECT A SOCIAL ACTION PROGRAM FOR THE AREAS EXPLOITED BY THE COMPANY.

2. THE PRESIDENT STATED THAT THE SPECIAL COMPENSATION TAX TO BE PAID IN 1975 AND 1976 WOULD BE USED FOR PROJECTS TO IMPROVE THE LIVING CONDITIONS OF THE HAITIAN PEOPLE.

3. THE PRESIDENT CONGRATULATED EVERYONE CONCERNED AT THE CORDIAL CLIMATE AND SPIRIT OF COOPERATION WHICH WAS PRESENT DURING THE NEGOTIATIONS. HE ALSO NOTED THAT THE NEGOTIATIONS WERE PROOF OF HIS GOVERNMENT'S REVISED POLICY, WHICH IS DESIGNED TO DEVELOP THE COUNTRY'S MINERAL POTENTIAL AND TO GUARANTEE FULL SECURITY TO THOSE INVESTORS WHICH ACCEPT A DIALOUGE BASED ON RESPECT FOR NATIONAL SOVEREIGNTY AND RECOGNITION OF FACT THAT HAITIAN PEOPLE HAVE THE RIGHT TO RECEIVE THE MAXIMUM PROFIT FROM THE DEVELOPMENT OF MINERAL RESOURCES.

5. COMMENTS WILL FOLLOW.
THOMSON

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